

September 8, 2006

To: Cities, Counties, Housing Authorities, Redevelopment Agencies,
Other Governmental Agencies and Interested Parties

RE: *Residential Development Loan Program (RDLP)*

We are pleased to announce that CalHFA is now accepting applications for \$10 million of RDLP funds. This is the first of two rounds of funding that will be offered during CalHFA's 2006-2007 fiscal year.

CalHFA initiated the RDLP Program in fiscal year 2005/2006 with a commitment to provide up to \$75 million over a three-year period. This new and exciting program promotes the development of affordable infill ownership housing by providing 3% interest financing for site acquisition and predevelopment.

We look forward to your application for RDLP funds. For your convenience, we have enclosed the RDLP guidelines and requirements for the application package. An original application along with a duplicate copy should be submitted to CalHFA, accordingly:

By mail: PO Box 4034
Sacramento, CA 95812-4034
Attn: Residential Development Loan Program

In person: 1415 L Street, Suite 500
Sacramento, CA 95814
Attn: Residential Development Loan Program

By facsimile: (916) 445-9315

By email: arose@calhfa.ca.gov

Applications for this first funding round must be received no later than 5:00 P.M. on Friday, October 27, 2006. We anticipate that the RDLP participants for the second round of funding will be announced in Spring of 2007.

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We look forward to working with you. If you have any questions regarding the application for RDLP funds or require additional information, please feel free to call Doug Smoot at (916) 322-1325 or Amanda Rose at (916) 445-9313.

Sincerely,

A handwritten signature in cursive script, reading "Theresa A. Parker". The signature is written in dark ink and is positioned below the word "Sincerely,".

Theresa A. Parker
Executive Director

Enclosure



Residential Development Loan Program (RDLP)

Announcement Date: September 8, 2006

The Residential Development Loan Program (RDLP) is project-specific funding that provides a 3% interest rate loan with a maximum term of 4 years to local government agencies for site acquisition and predevelopment expenses attributed to affordable infill, owner-occupied housing developments. The Program will also directly link RDLP-financed developments to CalHFA's California Homebuyer Downpayment Assistance Program (CHDAP) to provide subordinate loans, as necessary, to first-time homebuyers. Additionally, CalHFA will assist local government entities and developers to utilize CalHFA's existing menu of affordable primary and subordinate loan programs for homebuyers.

Proposals are competitively evaluated and ranked. CalHFA intends to allocate up to \$10 million in this funding round, and an additional \$10 million in the Spring of 2007.

Program Objective

To provide affordable homeownership through program partnerships with local government entities, consistent with their affordable housing priorities.

Program Parameters

Affordable Housing: A minimum of 15% of the for-sale housing units in developments that receive RDLP commitments must meet homebuyer income and sales price eligibility requirements (as may be updated from time to time) of the California Homebuyer Downpayment Assistance Program (CHDAP). If the homebuyers utilize the CHDAP subordinate loans, then all other requirements of the CHDAP Program will apply. (Refer to www.calhfa.ca.gov/homeownership/programs/chdap.htm for CHDAP homebuyer and property eligibility requirements.) Current CHDAP income and sales price limits are also attached for your reference.

Local Government Involvement: Local government entities (e.g., city and county housing-related divisions and agencies, and redevelopment agencies) must have a direct involvement with the development. Local government entity involvement can include financial contributions of Federal, State, and locality program funds, and contributions such as land write-downs, fee waivers, density bonuses, and local agency program staffing and administration, and other similar benefits.

Unmet Affordable Infill For-Sale Housing Needs: RDLP funds are intended to help local government entities address unmet affordable infill, owner-occupied housing needs as determined by each participating locality. Local government entities must demonstrate how the local priority was established and approved. Commonly, priorities are stated in Housing Elements, Consolidated Plans, or other documented housing plans. RDLP is limited to acquisition or acquisition/predevelopment of infill sites, upon which affordable for-sale housing will be constructed.

Ownership must be held in fee simple and eligible housing units include condominiums, PUDs, and single family residential houses.

For the purposes of RDLP, eligible “infill” development sites must be defined by one or more of the following:

- Located in a Redevelopment Area established pursuant to California Redevelopment Law
- Located in an “infill opportunity zone” as defined in Section 65088.1 of the California Government Code
- Located in a “transit oriented development specific plan area” meeting the criteria of Section 65451 of the California Government Code
- Located in a “transit village” defined in Section 65460.4 of the California Government Code
- Located on vacant or underutilized parcels totaling up to five acres and surrounded on at least three sides (or approximately 75% of the project’s perimeter) by existing urban development, or projects located on parcels over five acres but no larger than ten acres and surrounded on four sides by urban development. “Existing urban development” includes existing residential, commercial, and industrial uses, parcels with approved final maps or other approved development entitlements, and permanent open space or agricultural areas
- Located in areas specifically identified within a current Consolidated Plan as CDBG or HOME areas, or as urban infill sites specifically designated for the development of homeownership units
- Identified by the applicant locality as an “infill” priority for homeownership developments through other formal local planning processes and documentation

Loan Conditions, Terms, and Repayment: RDLP funds are available to a local government entity as an unsecured loan from CalHFA for up to 4 years at 3% simple interest per year. Repayment is backed by the general obligation of the local government entity and is due, in full, no later than 4 years from the date a loan agreement is executed. The local government entity shall assure and demonstrate that it possesses full authority to enter into the loan agreement and must demonstrate its ability to repay the loan under the terms and conditions of the loan agreement. A recorded regulatory agreement and periodic project reports will be required to assure affordability as agreed.

Loan-to-Lender Format: Under this format, the local government entity contracts to repay CalHFA and makes the decision to extend the funds to the development through loans, grants, land write-downs, or other financial mechanisms. The local government entity does not provide property or other resources as collateral.

General Considerations for Program Design

Evaluation Criteria: Proposals will be ranked on a competitive basis, using the following criteria:

- Extent to which assisted units are affordable (term, depth, amount, proportion of assisted units within project (minimum of 15% of units must be assisted), and level of affordability relative to market prices, etc.)
- Efficiency of program costs (interest rate, administrative and staffing costs, source and assurance of RDLP repayment, timing of RDLP repayment, etc.). NOTE: If the RDLP

Program funds are intended to be reloaned by the local government entity to their program participant(s), then the interest rate on the reloaned funds must be 3% or lower to provide the maximum benefit to the assisted households.

- Maximization of benefit (number of units, RDLP funds per unit, number of persons to benefit, etc.)
- Implementation readiness (local agency experience with the type of housing activity, staffing and administrative capacity, local agency financial capacity, site control, requisite zoning and entitlements, local programs in place, drafted implementation plan, market and risk analyses, development budget and proformas, environmental assessments, other financing sources in place, authority to proceed has been provided by local government)
- Relative resource impact in directly achieving program objectives (the locality's relative ability to contribute funds, staffing, administration and in-kind services; and the depth of leveraging provided)
- Comprehensiveness of physical design (physical design aspects that enable the residents and incorporation of the housing into the community, is consistent with existing residential development, and consistent with surrounding land uses) and resident support structure (that potentially includes homeownership education and training, community building, personal enrichment, direct support services, and linkages to local support services, etc., as appropriate to the needs of the homebuyers).

Documented Housing Plans: Proposals must include documented housing plans that demonstrate that the proposed housing activity described in the application has been identified as a local housing priority. Eligible documented housing plans include the Housing Elements, Consolidated Plans, redevelopment plans or other general housing plans that the locality's governing board has ratified. Applications must also include evidence that a plan has been approved.

Federal, State, and Local Requirements: Federal, State or local government requirements may apply in this process depending on the nature and structure of the local program. These requirements may include Davis-Bacon and/or State Prevailing Wages and compliance with Article 34 of the California State Constitution.

If the applicant to the RDLP Program is a city or county rather than a separate legal entity such as a redevelopment agency or housing authority, the applicant must address the requirements of Article 16, Section 18 (public finance indebtedness limitation), of the California Constitution. If a city or county applies, CalHFA will require an opinion from applicant's legal counsel that entering into a loan agreement under the Program is not in violation of Article 16, Section 18.

Equitable Distribution of Funds: One of CalHFA's goals is to ensure an equitable distribution of RDLP funds throughout California. The RDLP Program staff will use equitable distribution as a factor in the application ranking process to the extent necessary to achieve this goal.

Priorities for this Funding Round

CalHFA will give preference to applications from local government entities whose housing element of the general plan have been approved by the State Department of Housing and Community Development (HCD) pursuant to the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code.

Proposal Limitations

- Applicants are limited to local government entities (i.e., city, county, housing authority, redevelopment agency, etc.).
- Proposals are limited to a maximum request of \$4,000,000.
- Applicants are limited to one proposal in this funding round.
- Applicants are limited to one approved proposal in this fiscal year, which begins July 1 and ends June 30.
- No multiple proposals for a specific project in this funding round (e.g., the redevelopment agency and the housing authority cannot apply for the same project).
- Limit of one approved RDLP funding per project for duration of program.
- Previous RDLP loans will be required to be fully disbursed before applicants will be eligible to apply for additional RDLP funds.
- RDLP and CalHFA's HELP program funds cannot be utilized within the same homeownership project, unless the HELP funds are used exclusively for construction financing or subordinate homebuyer loans.

Documentation Required for Application Package

The documentation and information required below is not all-inclusive. CalHFA may require additional documentation, as necessary, to evaluate and rank broadly varying program proposals.

Applicant and Proposal Information

1. Name and address of Applicant (i.e. city, county, housing authority, redevelopment agency, etc.)
2. Mailing address of Applicant, if different than street address.
3. Name of chief administrator and position title for Applicant.
4. Contact person for application purposes: name, position title, address (if different than above), phone number, fax number, email address (if applicable).
5. Description of the Applicant and its history and experience with housing activities. Include the number of units and type(s) of housing developed, rehabilitated, and/or under management.
6. Description of Applicant's experience and capacity to implement the housing program being proposed.
7. Provide an executive summary of the proposal of not more than two pages in length. The summary should include: the character and purpose of the proposal, the amount of RDLP funds that are being requested, the amount and nature of other funding sources, the implementation time frame, and the resources and capacity that will be necessary to implement the proposal.
8. Provide a detailed description of the proposed project. The proposal should include, at a minimum:
 - The type of project, the development process, time lines for requiring funding requests from CalHFA, time lines for implementation and completion, and time lines for sale of the homes

and repayment of the loan.

- The number of units and households expected to benefit from the program.
- The local government agency's affordability limits for homeowners and the means by which the requirements will be applied or secured by the property (development agreement, resale restrictions, loan agreement, deed restrictions, zoning ordinance, etc.).
- A statement that describes how the proposal addresses an unmet affordable housing need and how the local priority was established; documentation evidencing the local priority; and indication of the local authority or entity that made the determination of the housing priority. (Include copies of the documentation in which the housing need has been identified. Acceptable documentation includes identified portions of housing elements, consolidated plans, etc.)
- A description of the comprehensive features of the proposed project, such as the physical design of the developments and its incorporation into the surrounding community; and resident support structures such as homebuyer education and training, the community building aspect of the program, personal enrichment or support services provided, etc., as appropriate to the needs of the homebuyers.
- The amount of funding and term of loan that is being requested from CalHFA and the method and security and/or guarantee for repaying the loan.
- If the applicant is a city or county, rather than a separate legal entity such as a redevelopment agency or housing authority, the applicant must address the requirements of Article 16, Section 18 (public finance indebtedness limitation), of the California Constitution by providing an opinion from applicant's legal counsel that entering into a loan agreement under RDLP is not in violation of Article 16, Section 18. The opinion shall be submitted as an attachment to the application.
- The local government involvement in terms of financial contributions of federal, State, and locality program funds, and administrative contributions such as land write-downs, fee waivers, density bonuses, and local agency program staffing and administration responsibilities, and all other sources of funds, etc. (Please indicate if other CalHFA Homeownership loan programs will also be utilized). Provide evidence of all funding commitments that have been issued to-date.
- Redevelopment Agencies must please provide the status of tax-increment funds, including categories for funds that are encumbered, unencumbered, not committed, or considered "excess surplus".
- Evidence of requisite zoning and entitlements. Evidence of site control or indications of potential site control, locality programs that are already in place that will be jointly utilized, drafted implementation plans, program implementation time lines, market and risk analyses, evidence of other financing sources in place, and other indications that the proposed program has been well-developed and that implementation can begin as immediately as possible.
- Census Tract map with C.T. number, lot/site dimensions, zoning map (showing surrounding zoning and land uses), location/site map, regional map.
- Letter from locality evidencing zoning, with a copy of the zoning ordinance attached; copies of planning approvals; copies of Deed restrictions and CC&R's.
- Project proformas, including development budget, cash flows, profit and loss, and homebuyer mortgage analysis by model and income group to be served.
- Copies of environmental assessments (Phase I or II); Copy of Environmental Impact Statement and Study.

Other Required Documentation

1. Attach a resolution, duly executed by the governing board of the local government agency (the applicant), which grants the authority to a particular signatory to make application to CalHFA for the Residential Development Loan Program to incur an indebtedness and execute loan agreements, commit specific local government agency resources as also detailed in the proposal to CalHFA, and take other actions necessary to facilitate the proposed project.

Proposals will be rejected if the resolution is not received by the due date and does not grant authority to a signatory to make application to the RDLP Program.

2. Attach one (1) copy of the Housing Element.

Additionally, attach one (1) copy of each of the applicable of the local consolidated plan, redevelopment plan, and other documented government housing plans.

Provide evidence that the attached Housing Element and/or plan(s) has been ratified by the appropriate local governing body. Highlight applicable excerpts that identify the proposed housing activity as a local housing priority.

Applications that are not in compliance with this requirement by the final due date will be rejected.

Application Submittal

Applications must be submitted in duplicate and received no later than 5:00 P.M. on October 27, 2006. CalHFA anticipates that the RDLP participants for this round of funding will be selected and announced by December 8, 2006.

Applications may be delivered to CalHFA, by the following means:

By mail:	PO Box 4034 Sacramento, CA 95812-4034 Attn: Residential Development Loan Program
In person:	1415 L Street, Suite 500 Sacramento, CA 95814 Attn: Residential Development Loan Program
By facsimile:	(916) 445-9315
By email:	arose@calhfa.ca.gov

Attachments: CHDAP income and sales price limits (which may change from time-to-time)